



# *informational*

## *Bulletin*

Brian Hamer, Director

## **Roll-Your-Own Cigarettes License and Tax Requirements**

### ***To: Roll-Your-Own Cigarette Machine Operators***

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This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

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This bulletin provides detailed information regarding the new law, Cigarette Machine Operators' Occupation Tax Act, which imposes a new tax **effective August 1, 2012**. These requirements affect what are commonly referred to as "roll-your-own" cigarettes.

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**For information or forms**  
Visit our website at:  
[tax.illinois.gov](http://tax.illinois.gov)

Call us at:  
217 782-6045

Call our TDD  
(telecommunications device  
for the deaf) at:  
1 800 544-5304

### **Who is a cigarette machine operator?**

You are a cigarette machine operator if you

- possess any machine, equipment, or device that makes or fabricates cigarettes **and**
- engage in the business of making the machine available to individuals to make or fabricate cigarettes for their own use or consumption (not for resale).

### **Do I need a license and bond?**

Yes. On or after August 1, 2012, for **each** place of business, you must

- register and apply for a cigarette machine operator license,
- pay an annual license fee of \$250, **and**
- file a \$2,500 bond.

Please complete Form REG-1, Illinois Business Registration Application, and Form REG-1-C, Cigarette and Tobacco Products Information (even if you are already registered with us for another type of tax). You may access these registration forms on our website at [tax.illinois.gov](http://tax.illinois.gov).

### **What is taxable and what is the tax rate?**

If a customer makes or fabricates cigarettes in your cigarette machine, cigarette operators' occupation tax is imposed at the rate of 99 mills (\$0.099) per cigarette. For example, if a customer makes 200 cigarettes in your cigarette machine, the cigarette operators' occupation tax due on this transaction is \$19.80.

**Note:** You do not owe tax on the number of cigarettes damaged (not useable to the customer) in the machine operating process which were

counted by the cigarette machine meter. **Important:** You must keep track of damaged cigarettes in your books and records.

### **Are there any restrictions on what can be used in these cigarette machines?**

Yes. Cigarette machine operators must

- only sell for use in machines roll-your-own tobacco products of a brand family and manufacturer identified on either the State of Illinois Directory of Participating Manufacturers or the Illinois Directory of Compliant Non-Participating Manufacturers (directories located at the Attorney General website [ag.state.il.us/tobacco](http://ag.state.il.us/tobacco)) **and**
- only allow the use of tobacco products purchased at their location in their machines.

**Note:** The law provides that the Attorney General may establish additional requirements for the types of tubes allowed for use in the cigarette machines. However, the law specifies that the new requirements would not become effective prior to January 1, 2014.

### **What returns and schedules must I file?**

The following forms are due on or before the 15th day of the month following the reporting period. **Your payment is due with your monthly Form RYO-1 return.**

If the due date falls on a weekend or holiday, then the returns, schedules, and payment are due the next business day. The August 2012 reporting period forms are due September 17, 2012, because September 15th falls on a weekend.

- Form RYO-1, Cigarette Machine Operators' Occupation Tax Return
- Form RYO-2, Schedule M, Cigarette Machine Operators' Schedule of Machines
- Form RYO-3, Schedule TP, Cigarette Machine Operators' Tobacco Products Used
- Form RYO-4, Schedule TU, Cigarette Machine Operators' Tubes Used

You may access these forms on our website at [tax.illinois.gov](http://tax.illinois.gov).

### **Where do I mail these returns and schedules?**

Send your completed monthly return with payment and schedules to us at:

ALCOHOL, TOBACCO, AND FUEL DIVISION  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19019  
SPRINGFIELD IL 62794-9019

and mail a **copy** of the return and schedules to:

TOBACCO ENFORCEMENT BUREAU  
OFFICE OF THE ATTORNEY GENERAL  
500 SOUTH SECOND STREET  
SPRINGFIELD IL 62706

### **May I receive credit for taxes paid on tobacco products?**

On your Form RYO-1, Cigarette Machine Operators' Occupation Tax Return, you are only allowed a credit for Illinois "other tobacco product" taxes paid on tobacco products used to fabricate cigarettes that are subject to the cigarette machine operators' occupation tax.